



Phillips, Hager & North Ltd.

Investment Counsellors

#1700 - 1055 West Hastings Street, Vancouver 1, B.C. ☐ 684-4361

File

PHILLIPS, HAGER & NORTH TRUST

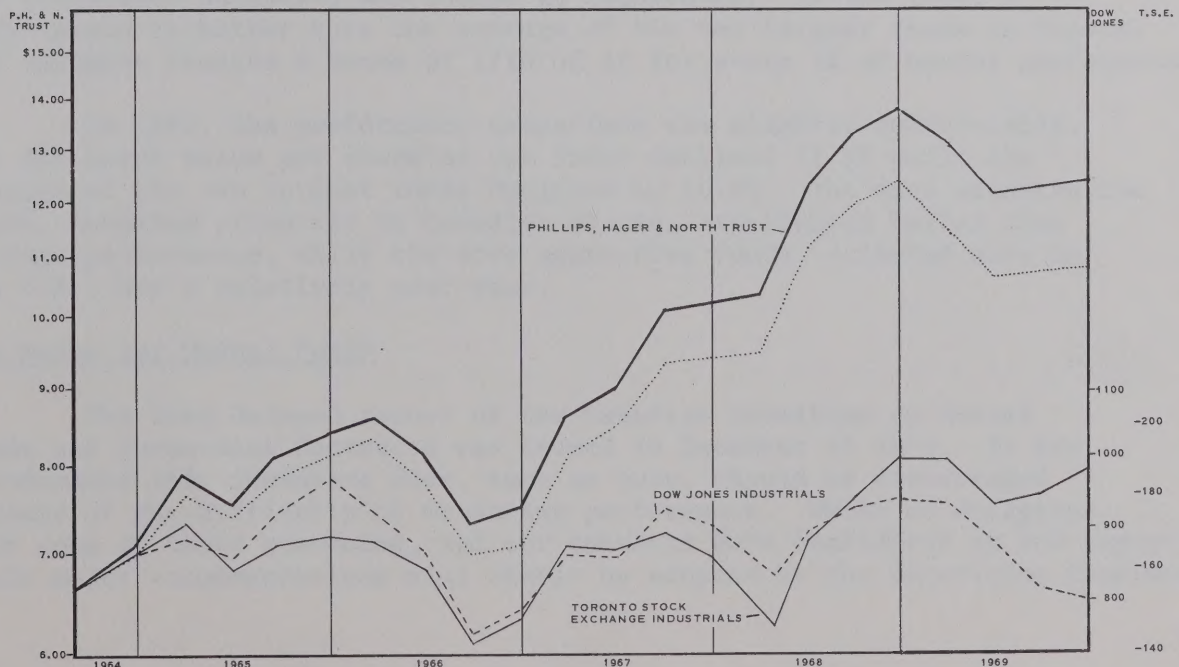
Annual Report - 1969

To Our Shareholders

After two excellent years in a row, the Phillips, Hager & North Trust experienced a decline in value in 1969. The net asset value per share had risen by 85% in the previous two years, but it declined by 11.5% in the year 1969. All the decline took place in the first half of the year and the net asset value advanced slightly in each of the last two quarters.

The record of the Fund since its inception in 1964 is illustrated on the chart below. You will notice that over the five year period, the U.S. stock market has declined and the Canadian market has shown only a slight gain. Against this poorer than normal long term background, the approximately 14% per annum compounded growth of the Fund has been quite satisfactory.

Since the Fund reinvests all income, the chart below includes a dotted line that represents a figure that can be compared with the market indexes. This line is the net asset value of the Trust after subtracting 3% per year as if this amount had been paid out in dividends.



Review of 1969

1969 was a difficult year for both stock and bond markets in Canada and the United States. It was a year in which the stock markets behaved quite differently. While the Dow Jones Industrial Index declined 15.5% during the year, the Toronto Stock Exchange Index declined only 1.6%. The Toronto Index reflects the more established companies on the Canadian market. The more speculative Canadian new issues and lower grade stocks that had done so well in 1968 and early 1969, experienced sharp declines for the year as a whole. In other words, it was a year in which there were strong divergences within the markets.

The Canadian market had been performing slightly better than the U.S. market up to the time the Federal government published its White Paper on Taxation. Some of the proposals in this document, if implemented, would have the effect of making investment in Canadian stocks much more attractive than in U.S. common stocks. As a result, in the weeks following the publishing of the White Paper, there was a further improvement of 6% to 8% in Canadian stock prices compared to U.S. stock prices as investors anticipated the possible implementation of these provisions.

Our portfolio has been concentrated primarily in U.S. stocks, over the last five years, because of the greater marketability and selection available in that market. While this policy proved unfavourable in 1969, it has been very worthwhile over the years. The greater available selection of stocks in the U.S. has made it possible for us to profit by investing in companies with better than average growth possibilities in a period when markets as a whole were generally flat.

Performance

As you know, each year the performance of the Phillips, Hager & North Trust is measured against that of the ten largest funds in Canada. For comparison purposes, all income is reinvested. If the Trust's performance is better than the average of the ten largest funds in Canada, the managers receive a bonus of 1/10 of 1% for every 1% of better performance.

In 1969, the performance comparison was slightly unfavourable. The net asset value per share of the Trust declined 11.5% while the average of the ten largest funds declined by 10.8%. The more conservative funds, invested primarily in Canadian stocks, experienced better than average performance, while the more aggressive funds, oriented more to the U.S., had a relatively poor year.

New Rules for Mutual Funds

The long delayed report of the Canadian Committee on Mutual Funds and Investment Contracts was issued in December of 1969. It has recommended that incentive fees, such as ours, should be discouraged because of the difficulty of measuring performance. While we disagreed with some of their reasoning, and our comments were considered in the report, their major recommendations will likely be adopted by the Securities Commissions.

between the stock market outlook and the business outlook, This is because the stock market is fuelled by anticipations, not history. In 1969, business was very strong for the first six months and levelled off in the second half. The stock market was very weak in the first half and levelled off in the second half.

We expect a strong stock market in 1970 in anticipation of the resumption of business and corporate profit growth that should take place in the latter part of the year. The Fund is fully invested in common stocks in line with these expectations.

Yours very truly,

PHILLIPS, HAGER & NORTH LTD,

A handwritten signature in dark ink, appearing to read 'A. Phillips', written in a cursive style.

Arthur Phillips - President

AP
br

SUMMARY OF ASSETS AS AT DECEMBER 31, 1969

<u>No. of Shares or Par Value</u>	<u>Security</u>	<u>Value</u>
50,000 shares	Rank Organisation	\$ 818,750.
30,000 shares	Crown Cork	551,700.
7,000 shares	Tektronics	540,190.
22,000 shares	Can. Imperial Bank of Comm.	497,750.
20,000 shares	J. W. Mays	480,400.
10,300 shares	Unishops	476,890.
3,100 shares	McIntyre Porcupine	465,000.
16,000 shares	Rheingold	446,720.
13,000 shares	Lerner Stores	427,440.
7,900 shares	Blue Bell	422,018.
11,500 shares	Uarco	416,760.
18,000 shares	Bank of Nova Scotia	398,250.
12,000 shares	Delta Airlines	393,000.
30,000 shares	Investors Group 'A'	341,250.
6,000 shares	Ampex	301,140.
10,000 shares	Northwest Airlines	300,600.
3,500 shares	Northwestern Steel	279,055.
12,000 shares	Dominion Foundries	279,000.
8,000 shares	Coronet Industries	249,040.
8,000 shares	Trend Industries	238,320.
13,000 shares	Weldwood of Canada	240,500.
6,000 shares	Litton Industries	235,140.
11,000 shares	Rothmans 6-5/8% Pfd.	233,750.
9,000 shares	National Airlines	229,500.
4,500 shares	W. T. Grant	227,070.
8,000 shares	Alcan Aluminium	220,000.
9,000 shares	Empire Financial	199,350.
5,000 shares	Reynolds Metals	158,350.
20,000 shares	Block Bros.	140,000.
10,000 shares	Neonex	101,250.
1,000 shares	Schlumberger	<u>90,060.</u>
	Total Portfolio	\$10,398,243.
	United Merchants & Mfg.	
	4% November 1, 1990	233,997.
	Cash & Receivables	<u>376,255.</u>
	Total Assets	<u>\$11,008,495.</u>

Net Asset Value Per Share \$ 12.27

Shares Outstanding 896,763

